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SUBJECT: MONTREAL-BASED TELEMARKETING SCHEMES TARGET
AMCITS

MONTREAL 00000255 001.2 OF 003

This message is Sensitive but Unclassified

11. (U) Summary. Montreal's relatively cheap labor and energy costs combined with strict privacy laws and lax telemarketing regulations have made it an attractive location for contact centers of all kinds, and the city now finds itself second only to Toronto for the dubious title of "telemarketing scam capital of North America." Fraudulent telemarketing operations based in Canada cause an estimated annual loss of \$700 million and frequently target elderly U.S. Citizens. Project COLT brings together Canadian and U.S. law enforcement officials to identify and dismantle fraudulent call centers and return funds to telemarketing victims. End Summary.

Attractive short-term employment

12. (U) Help wanted adds in Montreal newspapers are dominated by announcements of job openings in telemarketing, and many students turn to these as a source of quick income. Call center employment tends to have an extremely high turnover rate, and legal and illegal call center operations are constantly seeking new employees. "Students welcome," reads one ad, "Instant verifications. Eight positions to fill." Many English-speaking immigrants, who may find that their previous job competencies are not recognized in Quebec, or that their lack of French language skills disqualifies them for many jobs, often turn to telemarketing as a last resort. These advertisements tend to lead job seekers to a "boiler room," an office building crammed with computers and phones, on which telemarketers peddle their virtual wares, frequently to U.S. citizens.

Collecting names. and making the "pitch"

13. (U) So called "leads brokers" compile lists of the names, addresses, telephone numbers (and, frequently, bank account information) of U.S. residents. These "leads lists" vary in price depending on the amount of information contained on each potential target, with the most expensive lists containing bank and credit card information as well as other personal data about those listed. Leads brokers sometimes compile these lists by placing generic ads at the back of U.S. magazines (with captions such as "International Lottery: Enter Now") asking readers to submit their name, address, and phone number. Leads brokers then

sell these lists to telemarketers who call those listed and, with a variety of pitching techniques, tell customers that they have won a lottery or some other prize.

¶4. (U) Often, illegal telemarketers choose to aim their "pitch" at elderly U.S. citizens, who may be less likely to question the information given by the telemarketer. In some instances, the telemarketer will tell the U.S. citizen that they have won an international lottery or some other prize that requires "customs clearance" before it can reach them. The telemarketer requests that the target send a certain amount of money (via Western Union) to a particular address, promising that the cash prize or boat will be delivered to the person shortly thereafter. Once the target has sent in their money, and does not receive any prize, they may try to follow-up on their payment. But in most (if not all) cases, the money has already been picked up by someone involved in the scheme and it is already too late to recover the funds.

¶5. (U) A telemarketing scheme relies on distinct but interlinked agents to complete different aspects of the transaction. For many of these illegal telemarketing schemes, each of the actors other than the Montreal-based call center is located in the U.S. From the leads brokers compiling the lists of potential victims to the actual telemarketers on phones pitching their services, to the brokers who close the deals and take bank or other payment information, to the "third party processors" who actually take the money out of people's accounts, the multiple layers of action makes it much harder for law enforcers to point blame. Like a "circle with spokes" each part of the telemarketing scheme feeds off the others and is required for the process to finish. And yet the members of each particular group can claim a certain amount of

MONTREAL 00000255 002.2 OF 003

ignorance as to the ultimate impact of their actions. And, in many cases (according to post law enforcement officials) the individuals working the phones in a telemarketing outfit might not even recognize that they are part of an illegal scheme.

"You have won an international lottery"

¶6. (U) In some cases, telemarketers take on the identity of U.S. attorneys and call people who have already been victims of telemarketing schemes that they can help them "recover the money" that they have lost-for a fee. In other cases, call centers will target people with bad credit and offer them credit cards or loans with the stipulation that the victim must first supply bank information or check information in order to qualify for the loan or credit card. Other telemarketers will use the names of well-known charities or pretend to be raising money for police or firefighter organizations in order to solicit funds from victims. They may also claim to be investors seeking funds for "lucrative" real estate or banking programs or offer a "renewal" of an existing magazine subscription.

¶7. (SBU) Some people have called telemarketing schemes like these the "ultimate transborder crime" because of how mobile the call centers themselves are, and how well the telemarketing companies themselves are able to insulate themselves from blame. The fact that telemarketing is a multi-jurisdictional crime that can elicit attention from multiple levels of government and multiple law enforcement agencies can also make it harder to U.S. officials to track which agency has

collected which documents from different telemarketing operations to act as evidence in a court case. One telemarketing operation might elicit attention from the office of ICE, the FBI, the US Postal Service, the Federal Trade Commission, the Secret Service, and the State Attorney General's Office.

Montreal-based Operations

¶18. (SBU) In general, according to law enforcement officials at post, organized crime groups (including the outlaw motorcycle gang, Hells Angels) have a hand in running the larger telemarketing call centers in Montreal. The telemarketing call center structures run from the largest and most well-organized with more than 30 employees, to looser networks of individuals on cell phones connected only by a hierarchy of anonymity in which each employee only knows the person directly above him or her in the hierarchy, to the single agent with a cellphone making calls on his or her own and collecting money by Western Union or cash.

¶19. (SBU) The differences between U.S. and Canadian privacy laws and labor costs can help explain why many telemarketing schemes would choose to locate their call center operations in Montreal. Quebec is a relatively liberal province when compared to the rest of Canada and has strict privacy laws that make it difficult for Canadian law enforcement officials to get access to an individual's subscriber information (information that is more easily obtained in the U.S. and that can be used as evidence against alleged telemarketers). In the US, telemarketing scammers can be charged with mail fraud, wire fraud, and money laundering. In Quebec regulations are significantly more lax. The Royal Canadian Mounted Police (RCMP) has the mandate within Canada to pursue illegal telemarketers, but in many cases lacks the resources to pursue and convict suspect operations.

US-Canadian law enforcement cooperation

¶10. (U) ProQ Colt started in 1998 as collaboration between U.S. law enforcement and RCMP officers targeting illegal telemarketing operations. The task force brings together ICE Special Agents, the FBI and the U.S. Postal Inspection Service with the RCMP, Suret du Quebec, and the Service de Police de la Ville the Montreal (SPVM). The U.S. Consulate in Montreal has a Special Agent from ICE dedicated full-time to working with RCMP officials to identify and disrupt illegal telemarketing schemes in Montreal. In 2005,

MONTREAL 00000255 003.2 OF 003

project COLT received 1026 complaints from victims of these phone scams and led to the arrest of 42 persons in the U.S. and Canada. Since its inception Project Colt has resulted in the return of more than \$15 million to U.S. and Canadian victims.
MARSHALL